

Unclassified

DAF/COMP/GF/WD(2009)34

Organisation de Coopération et de Développement Économiques  
Organisation for Economic Co-operation and Development

30-Jan-2009

English - Or. English

DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE

Cancels & replaces the same document of 21 January 2009

## Global Forum on Competition

### COMPETITION POLICY, INDUSTRIAL POLICY AND NATIONAL CHAMPIONS

#### Contribution from Switzerland

-- Session I --

*This contribution is submitted by Switzerland under session I of the Global Forum on Competition to be held on 19 and 20 February 2009.*

Contact: H el ene CHADZYNSKA, Project Manager of the Global Forum on Competition  
Tel: 33 1 45 24 91 05; email: helene.chadzynska@oecd.org

JT03258997

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format



DAF/COMP/GF/WD(2009)34  
Unclassified

English - Or. English

## COMPETITION POLICY, INDUSTRIAL POLICY AND NATIONAL LEADERS

### --Switzerland--

#### 1. Introduction

1. First of all, it is important to note that industrial policy can not only be pursued by giving state aids or subsidies. Regulatory measures such as giving monopoly rights in certain areas to selected companies that are also active in other geographical and/or product markets can create distortions that benefit or harm competitors. Even subtle regulations such as safety standards or other declaration requirements can influence competition in a way that one or several companies or a sector are treated preferentially in the market.

2. So, when subsidies or state aids between countries are compared, these comparisons should always be taken with care as states giving a low level of obvious financial advantages to certain companies or sectors can as well pursue an industrial policy with more subtle means.

#### 2. The Swiss approach to industrial policy and national champions

3. Switzerland does not pursue an explicit industrial policy. Although we are aware of arguments such as the “infant industry” argument, we still believe that it is a risky or even unaccomplishable task for the government to select in advance certain sectors, products or companies that are supposed to be successful in a competitive market in the future. A competitive and undistorted market is probably the best way to select companies and sectors that are promising also in an open and internationalised market.

4. There are several reasons that accrue for the difficulties for the state to select companies and/or sectors that are successful in the future:

- Many sectors, especially high-tech sectors, are subject to rapid technological development and innovations. These developments and innovations are unknown in advance to the state and even to market players. Today’s promising technologies could be worthless tomorrow – ruled out by even better new technologies or changed preferences.
- Comparative advantages are not very well known to government and these advantages can change over time or with the opening of new markets.
- The two bullets above amount to risks that are – in our experience – much better managed by private investors than by the government.

5. The statements above do not mean that the government has no role at all in industrial policy. On the contrary, we believe that it is the state’s and the competition authorities’ task to work towards financing and regulations that are not distorting competition so that the most efficient companies and sectors are successful in the market.

6. Sometimes, industrial policy is taken as an instrument to protect existing companies structures in rapidly changing markets. We believe that such a policy is costly and that other means are more successful in the long run to generate wealth in a globalising market. Instead of benefitting selected companies or sectors, the state should create a framework that is beneficial in general for economic activity and competition:

- A low general tax level for all companies and sectors is very beneficial for attracting companies in strong international competition.
- A low level of administrative burden allows companies to save time and money, to adapt to new challenges and to get a competitive advantage over their competitors.
- A flexible labour market is the most important tool to allow companies and employees to adapt efficiently to new economic challenges and developments.
- Unemployment insurance combined with further training and education allows the unemployed to adjust to market needs.
- Contributing to non-sector specific research and regulations that promote innovative activity are important measures as well.

7. All the measures listed above are important state tasks. They can be designed to be non-distortive to competition and if so, we believe that such a policy will usually be economically more successful than a policy that tries to pursue a targeted industrial policy.

8. The same conclusions are valid for the issue of national champions. Switzerland is in open country to foreign investment and hosts dozens of large multi-national companies. Switzerland does not significantly influence companies in merging or not merging or collaborating with national or foreign companies. We believe that this liberal and permissive strategy has contributed to creating wealth and exchange of knowledge across borders.

9. This approach is also reflected in Switzerland's competition policy: According to the Cartel Act the government may, in exceptional cases, authorise agreements affecting competition and practices of enterprises having a dominant position whose unlawful nature has been ascertained by the competition authority, or mergers that have been prohibited by the competition authority, if they are necessary in order to safeguard compelling public interests. However, the Swiss government has so far never used this option and has never overruled competition agency decisions so far. Inversely, the government cannot prohibit an operation, for instance a merger, if it considers that it harms public interests, as it falls in the competence of the competition authority.

10. The Swiss cartel law does neither provide for general exemptions of competition law, with only one exception: If bank mergers are necessary to protect creditors' interest, for example due to turmoil on financial markets, the financial services regulator's decision prevails. In this case, the Competition Commission is consulted in advance.